

the time came for escaping the restrictions of the canonical laws, several ways were found of doing so. Already, as early as the thirteenth century, Albert le Grand conceded that "if usury is against the perfection of Christian law, it is at least not contrary to civic interests." Even St. Thomas admitted the loss resulting (*damnum emrgens*) to the lender who was kept out of his money, and the interval of time and the value lost (*quantum ejus mtererat*) gave birth to the word interest as a substitute for usury (*usitra*).<sup>1</sup>

Transportation of money from one place to another involved a cost which justified a charge. This charge was made sufficient to cover a reasonable interest for the use of money. Hence arose the provisions of many of the Continental codes of commerce, that the bill of exchange should be payable in a different place from that where it was drawn. The bill of exchange was converted into a form of direct loan called "dry exchange," by which the borrower drew a bill on a fictitious person in some foreign town at the current rate of exchange, which he delivered to the lender. At maturity the bill was returned protested and the borrower charged with re-exchange and incidental expenses, amounting perhaps to 20 or 30 per cent., the bill never having been out of the country.<sup>1</sup>

A further step was taken towards modern banking methods when the Italian bankers received cash under the name of deposits, but in reality to be made fruitful in the banking

was not without its justification before money came to be borrowed for the purposes of production, because the proceeds of the loan were usually consumed instead of multiplied, and if loans at interest had been universally approved they would soon have resulted in rural localities in the practical enslavement of the peasants who were unable to pay. The distinction between loans for production and for consumption was early recognized by the church, and the fifth Lateran Council (1512-17) decreed : "Ea est propria usurarum interpretatio, quando videlicet ex usu rei quae non *germinat* nullo labore, nullo sumptu, nullo periculo lucrum foetusque conquiri studetur."—L& Capital, la Speculation et la Finance, 81.

<sup>1</sup> Rambaud, *Histoire des Doctrines économiques*, 40-42.

<sup>2</sup> Cossa, *Introduction to the Study of Political Economy* 154.